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SUBJECT: SERBIA'S EASTERN CITIES: GLOOMY FORECOAST WITH BOUTS OF
OPTIMISM

SUMMARY

1. (SBU) Eastern Serbia may represent a preview of things to come for all of Serbia due to lack of investment and slow privatization. Despite their bleak economic outlook, three of Eastern Serbia's largest cities - Pirot, Zajecar and Bor -- have competent mayors who work closely with authorities in Belgrade and with international donors. With the expansion of the European Union's borders to neighboring Bulgaria, these three cities could benefit from European cross-border programs and trade. Each of the cities has several industries that stay afloat, and each also has a relatively undeveloped tourism sector with potential for expansion. End Summary

Pirot: Reaching out to Europe

2. (SBU) Pirot lies about 20 minutes from the Bulgarian border and is home to the Tiger Tire factory. One of its unexploited attractions and natural resources is its mineral water which flows from nearby mountains. Though the water is not commercially exploited, travelers come from as far away as Austria to fill their jugs before returning. Another attraction is the locally-made kilims, or flat-weave carpets. Still made by hand, these kilims represent an authentic process that has not changed in years. Mayor Vladan Vasic, elected in 2008, is a young politician, leader of the local citizens' group "Coalition for Pirot," who described his contact with Belgrade and Democratic Party (DS) officials as very close. He identified Pirot's close proximity to Bulgaria and the new EU border as one of the town's best potentials for development.

Zajecar: Redefines Community Center

3. (SBU) Zajecar's industries consist of porcelain, glass, cable and metal factories. During a December 11 development conference sponsored by the Regional Agency for Development of Eastern Serbia (RARIS), local officials took participants on a tour of Zajecar's new multi-million dollar community center. Use of the center, which includes a miniature golf course, tennis courts, a soccer field, a small downhill ski area, and a riverfront beach (Zajecar is on the Timok River), is free for local residents. According to Mayor Bosko Nivic, leader of the regional coalition "I Live for Krajina," these community-based attractions will be very important in the next few years to help improve morale as a result of the coming economic crisis and similarly help in promoting domestic tourism in the area.

In addition to these modern attractions, the region also has 400-500 B.C. Roman ruins called Felix Romuliana. Although it currently attracts just a few thousand tourists per year, this site - which offers up-close tours of an ancient temple - has the potential to be a significant attraction with proper advertising. Nivic enjoys strong support as mayor and his party won almost 50% of seats in municipal assembly - 23 seats out of 50. Finally, Zajecar joined USAID's Municipal Economic Growth Activity in September 2008

with the main goal being to attract investments, support existing businesses and to create and retain jobs.

Bor: Ecologically Hurting

14. (SBU) The city of Bor is known for its status as a Serbian Superfund-level waste site stemming from its vast copper mines started in 1900. On January 1, 2009, Bor's air contained a concentration of sulphur dioxide in air that was 100 times higher than the allowed limit. Though temporary measures were taken, officials are keen to keep the copper mines operating as they are Bor's only source of income. Attempts to privatize them have stalled, including various offers from potential Russian and Austrian buyers. Young DS mayor Srdjan Marjanovic said that Russian ownership would be disastrous as they would ignore environmental concerns and just mine its copper resources. Marjanovic's position as mayor is new for the DS as it came with restructuring of the local government three months after the May 2008 local elections that brought the Serbian Radical Party (SRS) to power. Marjanovic maintains close ties with Belgrade and DS politicians and hopes that his pleas for economic and environmental assistance will be answered.

15. (U) On the scenery side, Bor has a cave deep in a mountain side called Lazareva Pecina. Similar to Felix Romuliana, finding this attraction is difficult due to the almost complete lack of advertising, but its authenticity and unexploited value make it a natural wonder worthy of further investment. USAID's project in Bor includes a Citizen Assistance Center, a business incubator, and assistance in launching a Commercial Court.

Comment

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16. (SBU) While small amounts of investment could improve the living standard of the citizens of Eastern Serbia, a gloomy economic forecast for 2009 means that help is not on the way. In addition to unemployment, an environment abused for decades will continue to impact recreation and more devastatingly cause health issues for those who live in the region. Each mayor has challenges ahead, particularly as they have to lobby Belgrade for funds that must be divided for all of Serbia. Though Eastern Serbia appears to be benefitting from good governance at the moment, continued economic and environmental depredation could limit the local population's patience for the slow pace of DS's economic reforms and leave them vulnerable to more populist influences. End Comment.

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